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Office Memorandum • UNITED STATES GOVERNMENT

OC 9129

TO : Office of Comptroller

DATE: 9 MAR 1960

FROM : Director of Communications

SUBJECT: Cable Charges to Users

1. I learned upon my return from my recent TDY to the Far East that there have been discussions between our staffs relative to the possibility of initiating in FY-1961 a procedure to have the users pay for their own commercial cable costs. As you know, these charges are now budgeted for and charged to the Office of Communications. I agree that there are benefits to be gained by placing financial responsibility for commercial cables with the using component. Since the costs (based on the actual charges from the commercial companies) of these commercial cables are already accumulated by station, no additional accounting work should be necessary. However, I do feel that the Office of Communications should continue to bear the responsibility for costs for leased lines which serve more than one operating organization and which in effect are integral part of our communications network. I would not like to be placed in a position where I would have to wait for Agency savings or the granting of DIP funds in order to provide circuit capability.

2. I have learned also that some people believe that I have recommended charging using organizations for other than commercial cable costs; i.e. those cables handled over the Agency's communications system. I would like to make sure that I clarify this point now. I am definitely against the institution of any procedure that would attempt to charge users for the cables sent over the Agency's network for the following reasons:

A. The first reason and I think probably the most important one is the danger we would face in trying to operate a communications system of this Agency on a commercial type profit and loss basis. This is impossible. For example, take the case of a small overseas station which for reasons that I am sure you understand must have communications coverage at least 12 hours each work day and 6 hours on Saturday and Sunday. The traffic volume of a station of this type might be equal to a volume that could be handled by one man in a standard 40 hour work week. Yet the coverage requires a minimum of 2 men. It is evident that in a case such as this if you were a commercial organization you would either curtail the services or raise the rate to an exorbitant level. It is also evident that in this case any additional reduction in the number of cables handled has no real effect on the actual costs of operating the communications facility. Another factor that sheer volume figures do not reflect is the input flow and the percentage of higher precedence traffic. A communicator at a station having a steady work-

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load of deferred or routine cables can handle a far greater volume than a person at a station where there are extreme peaks in the workload and a large percentage of higher precedence traffic.

B. It is virtually impossible to arrive at an accurate cost per word or group count. The military has tried many times to come up with a reasonably accurate figure and to my knowledge they have never found a satisfactory answer. The problem is determining the overhead to apply. For instance, the Office of Communications is involved in other functions than the handling of cable traffic. Pro rating the indirect costs including housekeeping and maintenance costs, would have to be determined on a somewhat arbitrary basis. Also it is quite evident that changes in cable volumes would effect the unit cable costs since the overhead remains fairly static. The price per word would be controversial continually.

C. There undoubtedly would have to be added accounting procedures instituted to record and control the charges of the individual using organizations. This accounting work has to be regarded as non-productive and it is quite possible that the bookkeeping labor would more than offset the saving. If this became the case, the Agency would be swapping productive dollars for non-productive ones.

D. The system where the customer pays does not necessarily bring about an up grading of the material sent by cable. Presumably the station could use the cable funds for non operational just as easily as for operational data. The system does not provide for an automatic monitoring service.

E. It is quite possible that important intelligence might be delayed beyond the point of usefulness because of lack of funds or because of efforts to save money on the part of some over zealous officer. I think you will agree that any error in this respect should be on the side of extravagance rather than on economy.

3. In summary, while I am certainly interested in seeing that the use of the Agency's communications network is not abused, I feel that the control must be accomplished by proper supervision and understanding by all users. I think we would be making a big mistake in this instance to try to effect control through the pocketbook.

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